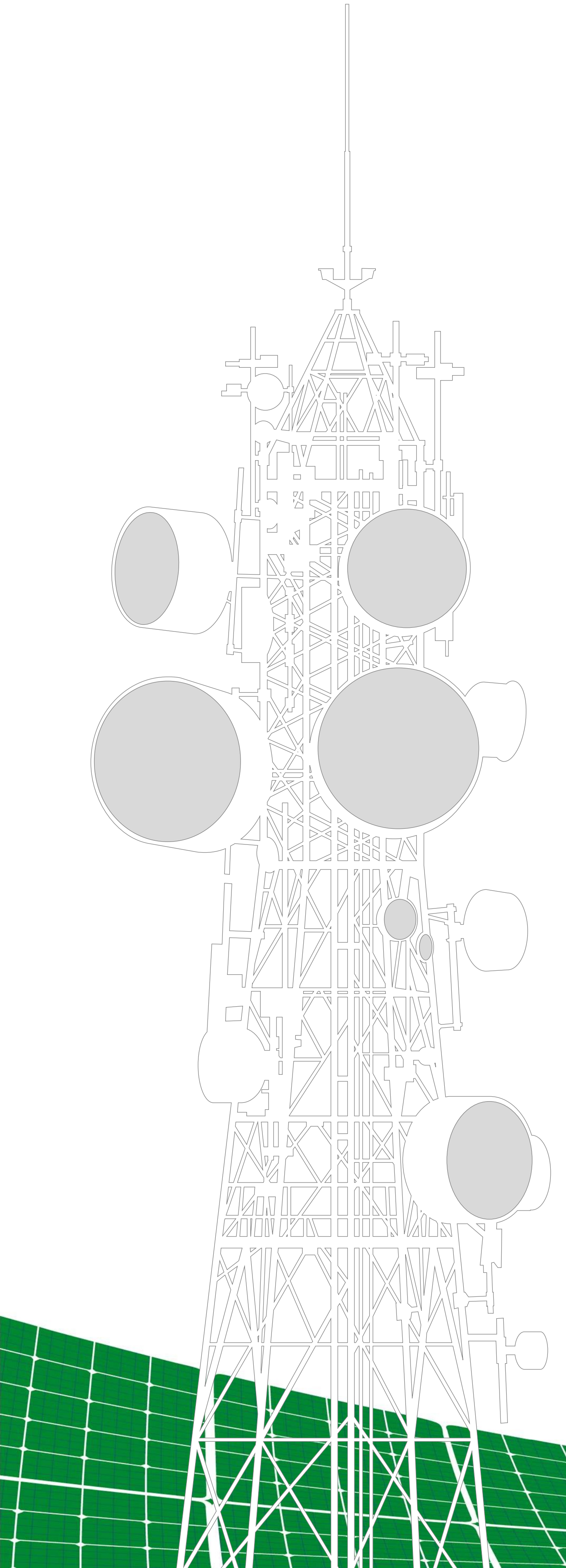

# IHS NETHERLANDS HOLDCO B.V.

Unaudited Interim Condensed Combined Financial Statements for the 3 month period ended 31 March 2020

## Directors

Mr. DARWISH Mohamad
Mr. VAN SPALL Gerard Jan
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Mr. ORDMAN David Andrew

## Registered office

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## Contents

# INFORMATION ON THE COMPANY

**Information on the Company and the Group**

IHS Netherlands Holdco B.V. (the "Company") and its subsidiaries form the "Restricted Group" for the purposes of the $500 million 7.125% Senior Notes due 2025 (the "2025 Notes") and the $800 million 8.0% Senior Notes due 2027 (the "2027 Notes"), together "the Notes", each issued on 18 September 2019, and listed on The International Stock Exchange (TISE). Each of the Company's subsidiaries, other than Tower Infrastructure Company Limited and IHS Towers Netherlands FinCo NG B.V., which are immaterial subsidiaries, is a Guarantor of those notes. The Company and its subsidiaries are hereinafter referred to as the "Group".

IHS Netherlands Holdco B.V. issued $800 million 9.5% Senior Notes due 2021 (the "Holdco Notes") under a Senior Notes Indenture dated 27 October 2016 between, *inter alios*, the Issuer (IHS Netherlands Holdco B.V.), the Guarantors (each of IHS Netherlands NG1 B.V., IHS Nigeria Limited, IHS Netherlands NG2 B.V., IHS Towers NG Limited, Tower Infrastructure Company Limited, and IHS Towers Netherlands FinCo NG B.V.) and the Trustee (Citibank N.A., London branch).This bond was fully redeemed on 28 October 2019 and is no longer outstanding.

The Company was incorporated on 12 May 2016 and shares in the Company were subscribed for by its now immediate parent entity, IHS Netherlands (Interco) Coöperatief U.A., as a result of which the Company became part of the "IHS Group", a group whose ultimate parent Company is IHS Holding Limited ("IHS Holding"), a private company incorporated under the laws of Mauritius.

On 13 May 2016, the Company subscribed for the entire share capital in two special purpose vehicles, IHS Netherlands NG1 B.V. ("NG1") and IHS Netherlands NG2 B.V. ("NG2").

On 15 September 2016, IHS Holding transferred the shares it held (representing 100% ownership[1]) in IHS Nigeria Limited ("IHSN") and IHS Towers NG Limited (formerly Helios Towers Nigeria Limited) ("ITNG") to NG1 and NG2 respectively.

On 18 September 2019 IHS Netherlands (Interco) Coöperatief U.A. transferred the shares it held (representing 100% ownership) in Nigeria Tower Interco B.V. ("Tower Interco") to IHS Netherlands Holdco B.V., thereby bringing INT Towers Limited ("INT"), a fully owned subsidiary of Tower Interco, into the Group.

**Basis of preparation**

These unaudited interim condensed combined financial statements do not constitute statutory accounts.

Since the Group as currently constituted was not fully formed until 18 September 2019, financial information on a statutory basis for the 2019 comparative period will have limited use for bondholders. Consequently, these financial statements have been prepared on a pro forma combined basis, aggregating the results of operations and financial position of the group existing previously with those of the two subsidiaries (Tower Interco and INT), acquired in September 2019 as part of a group restructuring, as if they had been part of the Group from 1 January 2018. These financial statements thus do not fully comply with International Financial Reporting Standards ("IFRS").

The principal accounting policies applied in the preparation of these financial statements are consistent with those of the Company's audited financial statements for the year ended 31 December 2019 except the proforma combined basis adopted to show the results as if the Group were in existence from 1 January 2018 as described in more detail below.

The formation of the present Group is a transaction under common control and in the statutory accounts of the Company and Group, is accounted for following the principles of predecessor accounting in accordance with IFRS, whereby the assets acquired and liabilities assumed, of Tower Interco and INT, by the Group are recognised at their pre-combination carrying values that exist within the consolidated accounts of the IHS Group.

*Proforma adjustments*

In addition to incorporating the results of Tower Interco and INT for the period 1 January 2018 to 17 September 2019, proforma adjustments which impact the numbers reflected in these financial statements have been made as follows:

- IHSN charges INT for management services under a management and technical services agreement, recognising the charges as other income in its accounts, whilst INT recognises them as an expense. These intercompany charges have been eliminated from 1 January 2019.
- To reflect the carrying value, at 1 January 2019 and consequent impact of the purchase price adjustments assessed on the acquisition of INT by IHS Holding Limited in 2014, the following adjustments were made:
  - Adding property, plant and equipment of $35.2m ($54.9m in cost and $19.7m in accumulated depreciation),
  - Adding goodwill of $256.3m,
  - Adding intangible assets of $73.0m ($85.4m in cost and $12.4m in accumulated amortisation),
  - Increasing both deferred tax liabilities and deferred tax assets by $34.6m

[1] Less one share in each of IHS Nigeria Limited, IHS Towers NG Limited and INT Towers Limited which are held by a nominee shareholder, for local legal reasons.

## INFORMATION ON THE COMPANY (CONTINUED)

**Basis of preparation (continued)**

*Proforma adjustments (continued)*

- For the period 1 January 2019 to 31 December 2019, the above carrying values have been adjusted to reflect:
  - Depreciation of property, plant and equipment of $4.9m,
  - Amortisation of intangible assets of $3.1m,
  - An unfavourable foreign exchange translation impact of $0.1m against goodwill
- For the period 1 January 2019 to 31 March 2019, the above depreciation and foreign exchange impacts were recognised:
  - Depreciation of property, plant and equipment of $1.2m and a net favourable foreign exchange impact on translation of $0.4m,
  - Amortisation of intangible assets of $0.8m and a net favourable foreign exchange impact on translation of $0.8m,
  - A favourable foreign exchange impact on translation of $2.5m against goodwill

A condensed combined statement of changes in equity has not been provided since the combined aggregation of the operating units' share capital and reserves is not considered to be meaningful to users.

The preparation of the unaudited interim condensed combined financial statements requires management to make estimates and assumptions that affect the reported numbers. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods.

## DISCLAIMER

The information in this document may contain forward-looking statements. Forward-looking statements include, but are not limited to, all statements other than statements of historical fact included in the information, including, without limitation, those regarding the Group's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets in which it operates or intends to operate. Forward-looking statements can be identified, in some instances, by the use of words such as “target”, “believe”, “expect”, “aim”, “intend”, “continue”, “forecast”, “seek”, “may”, “anticipate”, “estimate”, “plan”, “project”, “will”, “can have”, “likely”, “should”, “would”, “could” and other words and terms of similar meaning or the negative thereof, or by the forward-looking nature of discussions of strategy, plans or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which it will operate in the future. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or developments or otherwise. For the avoidance of doubt, the Company does not accept any liability in respect of any such forward-looking statements.

Certain data included in the information are “non-IFRS measures”. These non-IFRS measures may not be comparable to similarly titled financial measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with International Financial Reporting Standards. Although the Company believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, users are cautioned not to place undue reliance on any non-IFRS financial measures and ratios included in this document.

# OPERATING AND FINANCIAL REVIEW

**Overview**

All financial information provided in this 'Operating and Financial Review' represents the combined position of the Group. A glossary of terms used is provided at the end of this document. The functional and presentation currency of the Company is the United States dollar ("USD", "US dollar" or "$").

The Group is a leading independent telecommunications tower infrastructure owner and operator in Nigeria. Its primary business is leasing tower space for communications equipment to Mobile Network Operators ("MNOs") and other customers, who in turn provide wireless, voice and data services to their end users. The Group provides its customers with opportunities to lease space on existing towers alongside current tenants, known as colocation, or to commission new towers for construction to the customer's specifications, known as build-to-suit ("BTS"). The Group also provides managed services in limited situations, such as maintenance, operations, marketing and leasing services, for certain towers owned by third parties. Services are provided based on long-term contracts with annual contractual escalations. A significant proportion of contracted tenant lease revenues are linked to US dollars.

The Group predominantly serves three of the four main Nigerian mobile network operators. As of 31 March 2020, the Group owned 16,491 towers, with a colocation rate of 1.48x, based on 24,407 tenants.

**Highlights for the quarter**

- Revenue increased year-on-year by 10.1%.
- Adjusted EBITDA increased year-on-year by 15.3%.
- 2,001 lease amendments and 211 tenants were added in the quarter.

| | 3 month period ended 31 Mar | | |
|---|---|---|---|
| | **2020** | 2019 | Change |
| | **$'000** | $'000 | % |
| **Revenue** | **248,793** | 225,994 | 10.1% |
| **Operating profit** | **50,563** | 81,410 | -37.9% |
| **(Loss)/profit for the period** | **(200,443)** | 54,015 | n.a |
| *Alternative measures** | | | |
| **Adjusted EBITDA** | **164,393** | 142,581 | 15.3% |
| **Adjusted EBITDA margin** | **66.1%** | 63.1% | 3.0pt |

*Alternative performance measures are non-IFRS measures that are presented to provide readers with additional information that is regularly reviewed by management. They should not be viewed in isolation or as an alternative to the equivalent IFRS measure. See reconciliations of Adjusted EBITDA in note 11 to the closest equivalent IFRS measure and Non-IFRS measures definitions on page 23 for further details.

**Trading results**

In Q1 2020 the Group constructed six towers while the net decrease in number of towers was eight, as some sites were decommissioned as planned, resulting in a total of 16,491 live owned towers at 31 March 2020. Tenants increased by 211 in the quarter, giving a colocation rate of 1.48x at 31 March 2020. We also added 2,001 lease amendments during Q1 2020, resulting in a total of 18,900 lease amendments at 31 March 2020.

*Revenue*

Revenue increased by 10.1% to $248.8m in Q1 2020 compared to $226.0m in the Q1 2019. Underlying Naira revenue increased by 11.5% in the 3 months to 31 March 2020 year-on-year. This growth is primarily driven by increases in tenancies and towers as well as the escalations in our contracts.

During March 2020 the Naira/US$ NAFEX exchange rate moved from NGN365.25/US$1 to NGN392.18/US$1, which accounts for most of the total Q1 2020 Naira exchange rate devaluation of NGN27.52/US$1. Given the timing of the NAFEX exchange rate devaluation (which is used for the USD translation of our Naira numbers), the Central Bank of Nigeria exchange rate devaluation (used for the foreign exchange reset in the majority of our customer contracts), and the nature of our customer contracts (the majority of which reset quarterly), the impact of the devaluation is not proportionately evident in our revenue for Q1 2020.

The Group has started to see some changes in the way the MNOs are delivering for their subscribers, possibly driven by COVID-19, with some of our customers reporting slower voice demand but demand for data growing. In the first quarter, two of our main customers continued their rollout and adding subscribers, while our other main customer (9mobile) did not, such that their contribution towards the Group's total revenue has reduced. Revenue from 9mobile contributed 13.5% to total revenues in the quarter ended 31 March 2020 (17.0% for the quarter ended 31 March 2019).

# OPERATING AND FINANCIAL REVIEW (CONTINUED)

**Trading results (continued)**

*Costs*

Cost of sales increased by 28.0% to $162.6m in the 3 month period ended 31 March 2020 from $127.0m in the comparative period. The increase is mainly due to higher maintenance costs and depreciation and impairment of property, plant and equipment. Depreciation expense is higher mainly as a result of catch-up depreciation of batteries, the useful lives of which was re-assessed with effect from 1 January 2020 and any impact on the carrying value was applied prospectively, as a change in estimate, from that date in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors “. These higher costs were partially offset by lower power generation costs.

Q1 2020 power generation costs decreased by 11.8% year-on-year from $44.8m in Q1 2019 to $39.5m in Q1 2020, primarily driven by price reductions. In Q1 2020 the USD denominated cost of diesel was 13.9% lower compared to Q1 2019.

Administrative expenses increased year-on-year to $35.9m in Q1 2020 from $17.8m in Q1 2019. The increase is mainly due to an increase in impairment of withholding taxes which increased from $4.3m in Q1 2019 to $22.5m in Q1 2020. As INT no longer benefits from Pioneer status, which it had in 2019, and is now subject to income tax and withholding taxes, there is greater volume of withholding taxes within the Group that need to be assessed for recovery. The increase in the impairment of withholding taxes is partially offset by a $1.9m decrease in the expense for the provision for bad and doubtful debts in Q1 2020, compared to the expense in Q1 2019.

*Operating profit*

Operating profit of $50.6m was achieved in Q1 2020, a decrease of 37.9% compared to $81.4m in Q1 2019. The year-on-year increase in revenue is more than offset by non-cash increases in depreciation and impairment expense and impairment of withholding taxes as described above leading to the lower operating profit in this quarter.

*Adjusted EBITDA*

Q1 2020 Adjusted EBITDA increased by 15.3% year-on-year, from $142.6m in Q1 2019 to $164.4m in Q1 2020, with the Adjusted EBITDA margin increasing by 3.0pts from 63.1% to 66.1%. The increase in Adjusted EBITDA is primarily as a result of increased revenues and decreased power generation costs as discussed above and offset partially by increases in other cost of sales items such as maintenance costs.

Underlying Naira Adjusted EBITDA for the quarter increased by 16.8% to ₦60.3 bn in Q1 2020 compared to ₦51.6 bn in Q1 2019.

**Net financing cost**

In Q1 2020 the year-on-year net financing costs increased by $180.0m. The increase is the combined impact of:

- an increase in interest expense of $10.3m;
- a decrease in interest income of $2.2m;
- net foreign exchange gains from non-deliverable forward instruments of $9.8m in Q1 2020 compared to net losses of $0.5m in Q1 2019, a net profit impact of $10.3m;
- net foreign exchange losses from financing of $154.2m in Q1 2020 compared with gains of $23.5m in Q1 2019, a net loss impact of $177.8m

The $10.3m interest expense increase noted above (which includes intercompany interest on subordinated shareholder loans) is mainly due to the cumulative impact of effective interest rate accounting adjustments, following the repayments of subordinated shareholder loans in Q1 2019 (a net gain in 2019), and higher interest rates on related party loans in Q1 2020.

Interest income on bank deposits decreased $2.2m year-on-year due to decreased deposit levels.

The Group had net foreign exchange losses from financing of $154.2m in the 3 month period ending 31 March 2020 compared to net foreign exchange gains from financing in the 3 month period ending 31 March 2019 of $23.5m. The foreign exchange losses in the 3 month period ending 31 March 2020 result from foreign exchange revaluations on US dollar debt held by the Nigerian subsidiaries owing to the movement in the Naira/US dollar exchange rate, which moved from 364.66 at 31 December 2019 to 392.18 at 31 March 2020. In the 3 month period ended 31 March 2019, the Naira/US dollar exchange rate moved from 364.50 at 31 December 2018 to 360.68 at 31 March 2019, resulting in foreign exchange gains.

Non-deliverable forward instruments give IHS the right to purchase US dollars at a future date at an agreed fixed exchange rate. The devaluation of the Naira exchange rate in Q1 2020 (by NGN27.52/US$1) resulted in foreign exchange gains on non-deliverable forward instruments which were contracted at previously stronger Naira rates. Conversely, the appreciation of the Naira exchange rate in Q1 2019 (by NGN3.82/US$1) resulted in foreign exchange losses. The gains in Q1 2020 are also proportionately larger than the losses in Q1 2019, as larger aggregate underlying positions of $707.8m are contracted as at 31 March 2020 compared to aggregate underlying positions of $100.5m as at 31 March 2019.

Fair valuation losses on the embedded derivatives within the 2025 Notes and 2027 Notes were $46.2m for Q1 2020 compared to fair valuation gains of $3.3m for Q1 2019. This is primarily due to a significant decrease in the value of the call option within the terms of the Notes which is impacted significantly by the market trading price of the Notes at 31 March 2020; the market trading price being an indicator of the potential for the Group to refinance on similar terms should the call option be exercised at 31 March 2020.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

**Taxation**

The Group has recognised a tax expense of $3.8m in Q1 2020 compared to $6.1m in Q1 2019. The tax expense is comprised of corporation tax and education tax in all periods. IHSN, ITNG and INT each had assessed losses, which fully offset taxable income, and have unutilised capital allowances, which will partially offset their taxable income generated in future periods.

INT was still subject to Pioneer status in the 3 month period ended 31 March 2019 and therefore paid tax equal to 1% of Pioneer income. INT's Pioneer status ended on 31 December 2019 and from 1 January 2020 INT is no longer subject to the recognition of tax expenses at a rate of 1% of Pioneer income. Owing to the end of INT's Pioneer status customers of INT are now responsible for deducting revenue withholding tax equal to 10% of applicable revenues from payments to INT.

Additionally, the Nigeria Finance Act of 2019 (FA2019) repealed a previous section of the Nigerian Companies Income Tax Act which allowed companies with at least 25% imported capital investment to claim exemption from minimum tax. IHSN, ITNG and INT are therefore all subject to a minimum tax from 1 January 2020 which amounts to 0.5% of their aggregate of revenue and other income. This resulted in a corporation tax charge of $1.3m in the 3 month period ended 31 March 2020.

Aggregate deferred tax assets relating to unutilised tax losses have decreased in the period due to the application of such losses against taxable profits. The impact of the decrease is offset by the recognition of deferred tax assets relating to unutilised capital allowances, the derecognition of deferred tax assets related to provisions and an increase in deferred tax liabilities relating to property, plant and equipment and intangible assets. Deferred tax assets are recognised to the extent they do not exceed the sum of deferred tax liabilities.

**Cash flows and funding**

*Net change in cash position*

Cash decreased by $27.7m in the 3 months ended 31 March 2020 compared to a decrease of $6.2m in the 3 months ended 31 March 2019. This is mainly due to increased cash outflows from investing activities and foreign exchange losses from cash held in Naira, partially offset by increased cash inflows from operating activities. As at 31 March 2020 the Group had $112.5m (31 Dec 2019: $140.3m) of cash and cash equivalents.

*Changes in cash from operations, financing and investment*

Net cash inflows from operating activities totalled $147.0m in Q1 2020 compared to net cash inflows of $123.4m in Q1 2019. The increase is primarily driven by higher cash operating profits as reflected in the higher Adjusted EBITDA of $21.8m, as described above, and lower net cash outflows from working capital movements of $3.1m.

In Q1 2020 the Group had net cash outflows from investing activities of $44.7m compared to net cash outflows from investing activities of $11.5m in Q1 2019. The larger outflow is primarily driven by higher amounts spent on property, plant and equipment (including advance payments) of $45.2m in Q1 2020 compared to $16.0m in Q1 2019. Net cash flows from investing activities in Q2 2019 also include a cash inflow of $1.8m from the release of restricted cash which did not recur in Q1 2020, with all material restricted cash having been released prior to Q1 2020.

In the 3 month period ended 31 March 2020 the Group had a net outflow from financing activities of $119.6m, which is broadly in line with the amount of $119.9m net outflow from financing activities in the 3 month period ended 31 March 2019. The cumulative impact of year-on-year increases in cash outflows from interest paid to third parties (mainly due to the payment of interest on the Notes) and cash outflows from payments of margin deposits on non-deliverable forward instruments of $31.3m, is mostly offset by the cumulative impact of lower year-on-year cash outflows from interest and principal paid to related parties and cash outflows from lease repayments.

**Indebtedness**

At 31 March 2020, the book value of total outstanding loans and borrowings was $2.4bn (31 Dec 2019: $2.5bn), of which $689.1m (31 Dec 2019: $688.1m) is in the form of subordinated shareholder loans from the Company's immediate and ultimate parent entities (with a principal value of $672.4m (31 Dec 2019: $683.8m)).

For more information on borrowings, see note 15.

At 31 March 2020 lease liabilities arising on land leases total $31.0m (31 Dec 2019: $33.2m). For more information on lease liabilities, see note 16.

**Events after the reporting period**

There were no disclosable events after the reporting period.

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

### For the three month period ended 31 March 2020

| | Note | 31 Mar 2020 $'000 | 31 Mar 2019 $'000 |
|---|---|---|---|
| **Revenue** | 3 | **248,793** | **225,994** |
| Cost of sales | 4 | (162,599) | (126,999) |
| **Gross profit** | | **86,194** | **98,995** |
| Administrative expenses | 5 | (35,923) | (17,811) |
| Other income | 6 | 292 | 226 |
| **Operating profit** | | **50,563** | **81,410** |
| Finance income | 7 | 10,317 | 26,164 |
| Finance costs | 8 | (214,903) | (50,803) |
| Changes in fair value through profit or loss | 9 | (42,604) | 3,309 |
| **(Loss)/profit before taxation** | | **(196,627)** | **60,080** |
| Taxation | 10 | (3,816) | (6,065) |
| **(Loss)/profit for the period** | | **(200,443)** | **54,015** |
| | | | |
| **Other comprehensive income/(loss):** | | | |
| *Items that may be subsequently reclassified to profit or loss:* | | | |
| Changes in fair value of available-for-sale financial assets | | - | 1 |
| Exchange differences on translation | | 40,715 | 644 |
| **Other comprehensive income for the period** | | **40,715** | **645** |
| | | | |
| **Total comprehensive (loss)/income for the period** | | **(159,728)** | **54,660** |

As noted in the basis of preparation on page 4, the combined statements of comprehensive income include adjustments which reflect the carrying value at 1 January 2018 and the subsequent impact of the purchase price adjustments assessed on the acquisition of INT by IHS Holding Limited in 2014.

The notes are an integral part of these combined financial statements.

## COMBINED STATEMENT OF FINANCIAL POSITION

### At 31 March 2020

| | Note | **At 31 Mar 2020 $'000** | At 31 Dec 2019 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 918,386 | 1,054,220 |
| Right of use assets | 12 | 200,634 | 215,965 |
| Intangible assets | 13 | 660,176 | 714,489 |
| Investments | | 10 | 11 |
| Derivative financial instruments | 14 | - | 42,604 |
| Trade and other receivables | | 41,558 | 12,992 |
| | | **1,820,764** | **2,040,281** |
| **Current assets** | | | |
| Inventories | | 31,656 | 43,317 |
| Trade and other receivables | | 179,506 | 130,092 |
| Amounts due from related parties | 19 | 833 | 2,204 |
| Derivative financial instruments | 14 | 8,783 | 53 |
| Cash and cash equivalents | | 112,507 | 140,250 |
| | | **333,285** | **315,916** |
| **Total assets** | | **2,154,049** | **2,356,197** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 283,287 | 280,888 |
| Income tax payable | | 8,584 | 5,576 |
| Borrowings | 15 | 6,112 | 31,272 |
| Lease liabilities | 16 | 5,453 | 6,050 |
| Amounts due to related parties | 19 | 7,016 | 4,194 |
| Provisions for liabilities and other charges | 17 | 3,461 | 3,768 |
| | | **313,913** | **331,748** |
| **Non-current liabilities** | | | |
| Borrowings | 15 | 1,747,800 | 1,770,989 |
| Lease liabilities | 16 | 25,560 | 27,172 |
| Amounts due to related parties | 19 | 689,130 | 688,095 |
| Provisions for liabilities and other charges | 17 | 5,253 | 5,586 |
| | | **2,467,743** | **2,491,842** |
| **Total liabilities** | | **2,781,656** | **2,823,590** |
| **Net liabilities** | | **(627,607)** | **(467,393)** |

As noted in the basis of preparation on page 4, the combined statement of financial position includes adjustments which reflect the carrying value at 1 January 2018 and the subsequent impact of the purchase price adjustments assessed on the acquisition of INT by IHS Holding Limited in 2014.

The notes are an integral part of these combined financial statements.

## COMBINED CASH FLOW STATEMENTS

### For the three month period ended 31 March 2020

| | | 3 month period ended | |
|---|---|---|---|
| | | **31 Mar** | 31 Mar |
| | | **2020** | 2019 |
| | **Note** | **$'000** | $'000 |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 18 | 147,183 | 123,849 |
| Payment for rent* | | - | (256) |
| Income taxes paid | | (210) | (189) |
| **Net cash flows generated from operating activities** | | **146,973** | **123,404** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (861) | (524) |
| Purchase of property, plant and equipment - capital work in progress | | (11,125) | (9,607) |
| Payments in advance for property, plant and equipment | | (33,200) | (5,874) |
| Purchase of software and licences | | (108) | (93) |
| Proceeds from the sale of property, plant and equipment | | - | 221 |
| Insurance claims received | | 121 | 4 |
| Interest income received | | 476 | 2,628 |
| Restricted cash transferred from other receivables | | - | 1,730 |
| **Net cash used in investing activities** | | **(44,697)** | **(11,515)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Fees on loans and financial derivatives | | (983) | (394) |
| Principal repayment to third parties | | - | (10,412) |
| Principal repayment to related parties | | (11,479) | (62,734) |
| Payment of lease liabilities±* | | (6,538) | (18,507) |
| Payment of margin deposit for non-deliverable forwards | | (31,253) | (3,019) |
| Foreign exchange derivative gains received | | 236 | - |
| Interest paid to third parties | | (65,988) | (17,902) |
| Interest paid to related parties | | (3,622) | (6,891) |
| **Net cash used in financing activities** | | (119,627) | (119,859) |
| | | | |
| **Decrease in cash and cash equivalents** | | **(17,351)** | **(7,970)** |
| Cash and cash equivalents at beginning of the period | | 140,250 | 288,621 |
| Exchange (losses)/gains on cash and cash equivalents | | **(10,392)** | **1,731** |
| **Cash and cash equivalents at period end** | | 112,507 | 282,382 |

*Payment for rent represents amounts paid on short-term leases.

±*Payment of lease liabilities includes the payment for principal of the lease liabilities and the interest on lease liabilities.

As noted in the basis of preparation on page 4, the combined cash flow statements include adjustments which reflect the carrying value at 1 January 2018 and the subsequent impact of the purchase price adjustments assessed on the acquisition of INT by IHS Holding Limited in 2014.

The notes are an integral part of these combined financial statements.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

IHS Netherlands Holdco B.V. is a private Company with limited liability incorporated under the laws of the Netherlands on 12 May 2016.

The Company owns 100% of the shares in IHS Netherlands NG1 B.V. (NG1), IHS Netherlands NG2 B.V (NG2) and Nigeria Tower Interco B.V. (Tower Interco) who in turn own 100%[2] of the shares in IHS Nigeria Limited (IHSN), IHS Towers NG Limited (ITNG) and INT Towers Limited (INT) respectively. IHS Netherlands Holdco B.V. therefore indirectly owns 100% of IHS Nigeria Limited and IHS Towers NG Limited and INT Towers Limited, the three main operating subsidiaries of the Company.

These unaudited interim condensed combined financial statements ("financial statements") as at and for the 3 months ended 31 March 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). They include the combined statements of comprehensive income, the combined statement of financial position, the combined statements of cash flows, and the accompanying selected notes.

The Group is principally involved in the managing and leasing of telecommunications infrastructure to telecommunications and other service providers.

## 2. BASIS OF PREPARATION

These financial statements do not constitute statutory accounts. These financial statements include the combined financial information of IHSN, ITNG, NG1, NG2, IHS Netherlands FinCo NG B.V., Tower Infrastructure Company Limited, INT, Tower Interco, and the Company.

The principal accounting policies applied in the preparation of these financial statements are consistent with those of the Group's audited consolidated financial statements for the year ended 31 December 2019 except for the proforma combined basis adopted to show the results as if the Group were in existence from 1 January 2018 as described in more detail on pages 4 to 5. The disclosures made in these financial statements are not complete disclosures as required by International Financial Reporting Standards "IFRS" (IAS 34).

The preparation of the unaudited condensed combined financial statements requires management to make estimates and assumptions that affect the reported numbers. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 2.1 FUNCTIONAL AND PRESENTATION CURRENCY

The functional and presentation currency of the Company is the US dollar. Unless otherwise indicated, financial information presented in US dollar has been rounded to the nearest thousand.

The functional currency for IHS Nigeria Limited, IHS Towers NG Limited and INT Towers Limited is Nigerian Naira ("₦" or "NGN"). The financial statements were translated to US dollar (the reporting currency) at ₦392.18 (31 December 2019: ₦364.66) per US dollar for the combined statement of financial position, and monthly average rates ranging from ₦363.21 to ₦371.88 per US dollar (Q1 2019: ₦360.50 to ₦363.82) for the combined statements of comprehensive income and combined statements of cash flows.

### 2.2 APPROVAL

These interim condensed combined financial statements were authorised and approved for issue on 12 May 2020.

## 3. REVENUE

The Group's revenue accrues primarily from providing telecommunication support services. The Group provides services in respect of telecommunication towers ranging from infrastructure sharing and leasing (colocation) and managed services. For the sale of colocation and managed services, revenue is recognised in the accounting period in which the services are rendered.

[2] Less one share in each of IHS Nigeria Limited IHS Towers NG Limited and INT Towers Limited which are held by a nominee shareholder, for local legal reasons

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

### 4. COST OF SALES BY NATURE

| | 3 month period ended | |
|---|---|---|
| | **31 Mar 2020 $'000** | 31 Mar 2019 $'000 |
| Tower repairs and maintenance | 13,361 | 11,851 |
| Power generation | 39,511 | 44,808 |
| Regulatory permits | 2,768 | 2,260 |
| Site rent | 666 | 62 |
| Security services | 5,730 | 5,315 |
| Staff costs | 3,501 | 3,420 |
| Depreciation and amortisation | 88,993 | 56,922 |
| Impairment of property, plant and equipment | 1,868 | - |
| Other expenses† | 6,201 | 2,361 |
| | **162,599** | **126,999** |

† Other expenses include non-site rent, vehicle maintenance and repairs, insurance, travel and logistics costs, professional fees and other non-routine and sundry costs.

### 5. ADMINISTRATIVE EXPENSES

| | 3 month period ended | |
|---|---|---|
| | **31 Mar 2020 $'000** | 31 Mar 2019 $'000 |
| Staff costs | 6,497 | 5,675 |
| Rent | 445 | 510 |
| Repairs and maintenance | 769 | 736 |
| Travel cost | 691 | 668 |
| Professional fees | 908 | 822 |
| Depreciation and amortisation | 566 | 149 |
| Impairment of withholding tax assets | 22,544 | 4,317 |
| Loss on disposal of property, plant and equipment | 29 | 4 |
| Other expenses | 3,474 | 4,930 |
| | **35,923** | **17,811** |

Included in 'Other expenses' for the 3 month period ended 31 March 2020 and 2019 are allowances for doubtful debts of $1.8m and $3.8m respectively.

### 6. OTHER INCOME

Other income for the three month period ended 31 March 2020 is mainly comprised of income from insurance claims of $0.1m and gains from disposal of property, plant and equipment of $0.2m.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

### 7. FINANCE INCOME

| | 3 month period ended | |
|---|---|---|
| | **31 Mar 2020** | 31 Mar 2019 |
| | **$'000** | $'000 |
| Interest income - bank deposits | 476 | 2,628 |
| Foreign exchange gains from non-deliverable forward exchange contracts | 9,841 | - |
| Foreign exchange gains arising from financing | - | 23,536 |
| | **10,317** | **26,164** |

### 8. FINANCE COSTS

| | 3 month period ended | |
|---|---|---|
| | **31 Mar 2020** | 31 Mar 2019 |
| | **$'000** | $'000 |
| Interest expense | 58,677 | 48,367 |
| Interest on lease liabilities | 1,028 | 1,543 |
| Foreign exchange losses from non-deliverable forward exchange contracts | - | 499 |
| Foreign exchange losses arising from financing | 154,215 | - |
| Fees on loans and financial derivatives | 983 | 394 |
| | **214,903** | **50,803** |

### 9. CHANGES IN FAIR VALUE THROUGH THE PROFIT OR LOSS

| | 3 month period ended | |
|---|---|---|
| | **31 Mar 2020** | 31 Mar 2019 |
| | **$'000** | $'000 |
| Embedded derivatives in bond – change in fair value | (42,604) | 3,309 |
| | **(42,604)** | **3,309** |

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 10. TAXATION

| | 3 month period ended | |
|---|---|---|
| | **31 Mar 2020** | 31 Mar 2019 |
| | **$'000** | $'000 |
| Company income tax | (1,330) | (4,954) |
| Education tax | (2,486) | (1,111) |
| | **(3,816)** | **(6,065)** |

IHSN, INT and ITNG each have assessed losses which were utilised against income tax expense for the current quarter. All entities have unutilised capital allowances in the 3 months ended 31 March 2020.

The income tax expense for the current period includes a small income tax charge for IHS Netherlands Holdco B.V. and charges for current income tax and education tax for ITNG, IHSN and INT resulting from minimum taxes payable. ITNG also has current income tax and education tax charges in current period in so far as this is related to its subsidiary, Tower Infrastructure Company Limited (TICL), which does not have assessed losses or withholding tax credits which it can offset against taxable income.

The education tax charge represents a 2% charge on the taxable profits of IHSN, ITNG and INT, before the application of any assessed losses brought forward. Deferred tax assets continue to exceed liabilities and to be recognised only up to the level of deferred tax liabilities, yielding nil deferred tax expense or income for the period.

The Nigeria Finance Act of 2019 (FA2019) repealed a previous section of the Nigerian Companies Income Tax Act which allowed companies with at least 25% imported capital investment to claim exemption from minimum tax. IHSN, ITNG and INT are therefore all subject to a minimum tax from 1 January 2020 which amounts to 0.5% of their aggregate of revenue and other income. This resulted in a corporation tax charge of $1.3m in the 3 month period ended 31 March 2020.

## 11. NON-IFRS PERFORMANCE MEASURES RECONCILIATIONS

| Reconciliation of (loss)/profit for the period to Adjusted EBITDA | 3 month period ended | |
|---|---|---|
| | **31 Mar 2020** | 31 Mar 2019 |
| | **$'000** | $'000 |
| **(Loss)/profit for the period** | (200,443) | 54,015 |
| *Add back:* | | |
| Tax charge | 3,816 | 6,065 |
| Change in fair value through the profit or loss | 42,604 | (3,309) |
| Finance costs | 214,903 | 50,803 |
| Finance income | (10,317) | (26,164) |
| Depreciation and amortisation | 89,559 | 57,071 |
| Impairment of property, plant and equipment and prepaid land rent | 1,868 | - |
| Net profit on disposal of property, plant and equipment | (141) | (217) |
| Impairment of withholding tax assets | 22,544 | 4,317 |
| **Adjusted EBITDA** | **164,393** | **142,581** |

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT AND EQUIPMENT

| | Tower equipment | Land and buildings | Right-of-use assets | Furniture and office equipment | Motor Vehicles | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | | |
| **At 1 January 2019** | 1,481,046 | 46,549 | - | 9,307 | 9,376 | 80,379 | 1,626,657 |
| Additions during the period | 2,941 | 781 | 245,552 | 2,100 | 1,777 | 56,679 | 309,830 |
| Disposals* | (96,178) | - | (3,483) | (17) | (409) | - | (100,087) |
| Transfers from/(to) advanced payments | 269,935 | 672 | - | - | - | (1,299) | 269,308 |
| Reclassifications | 76,302 | 885 | - | - | - | (77,205) | (18) |
| Effect of movement in exchange rates | (2,187) | (35) | (649) | (15) | (12) | (419) | (3,317) |
| **At 31 December 2019** | **1,731,859** | **48,852** | **241,420** | **11,375** | **10,732** | **58,135** | **2,102,373** |
| **At 1 January 2020** | **1,731,859** | **48,852** | **241,420** | **11,375** | **10,732** | **58,135** | **2,102,373** |
| Additions during the period | **(11)** | **236** | **6,840** | **366** | **260** | **4,920** | **12,611** |
| Disposals | **(141)** | **-** | **(250)** | **-** | **-** | **-** | **(391)** |
| Transfers from advanced payments | **7,358** | **179** | **-** | **-** | **-** | **-** | **7,537** |
| Reclassifications | **7,334** | **149** | **-** | **-** | **-** | **(7,483)** | **-** |
| Effect of movement in exchange rates | **(121,868)** | **(3,469)** | **(17,334)** | **(823)** | **(767)** | **(3,481)** | **(147,742)** |
| **At 31 March 2020** | **1,624,531** | **45,947** | **230,676** | **10,918** | **10,225** | **52,091** | **1,974,388** |
| **Accumulated depreciation** | | | | | | | |
| **At 1 January 2019** | (620,713) | (814) | - | (7,369) | (7,430) | - | (636,326) |
| Charge for the period | (242,435) | (282) | (26,198) | (1,211) | (1,227) | - | (271,353) |
| Disposals | 92,686 | - | 553 | 15 | 409 | - | 93,663 |
| Impairment | (19,805) | - | - | - | - | - | (19,805) |
| Effect of movement in exchange rates | 1,418 | 2 | 190 | 14 | 9 | - | 1,633 |
| **At 31 December 2019** | **(788,849)** | **(1,094)** | **(25,455)** | **(8,551)** | **(8,239)** | **-** | **(832,188)** |
| **At 1 January 2020** | **(788,849)** | **(1,094)** | **(25,455)** | **(8,551)** | **(8,239)** | **-** | **(832,188)** |
| Charge for the period | **(77,211)** | **(77)** | **(7,042)** | **(399)** | **(254)** | | **(84,983)** |
| Disposals | **112** | **-** | **228** | **-** | **-** | **-** | **340** |
| Impairment | **(1,868)** | **-** | **-** | **-** | **-** | **-** | **(1,868)** |
| Effect of movement in exchange rates | **59,801** | **82** | **2,227** | **626** | **595** | **-** | **63,331** |
| **At 31 March 2020** | **(808,015)** | **(1,089)** | **(30,042)** | **(8,324)** | **(7,898)** | **-** | **(855,368)** |
| **Net book value** | | | | | | | |
| At 31 December 2019 | 943,010 | 47,758 | 215,965 | 2,824 | 2,493 | 58,135 | 1,270,185 |
| **At 31 December 2020** | **816,516** | **44,858** | **200,634** | **2,594** | **2,327** | **52,091** | **1,119,020** |

*The additions of tower equipment for the 3 months ended 31 March 2020 appear negative due to the impact of remeasurements of decommissioning provisions which decreased the value of the provision and of the tower assets against which the provisions are capitalised.

Property, plant and equipment assets include adjustments to reflect the purchase price adjustments assessed on the inclusion of Nigeria Tower Interco and INT in the Restricted Group from 1 January 2018 (see basis of preparation on page 4).

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

### 13. INTANGIBLE ASSETS

| | Goodwill $'000 | Software and licences $'000 | Customer related intangible assets $'000 | Network related intangible assets $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 1 January 2019** | 379,073 | 7,681 | 378,282 | 34,814 | 799,850 |
| Additions during the period | - | 783 | - | - | 783 |
| Effect of movement in exchange rates | (168) | (4) | (165) | (15) | (352) |
| **At 31 December 2019** | **378,905** | **8,460** | **378,117** | **34,799** | **800,281** |
| | | | | | |
| **At 1 January 2020** | **378,905** | **8,460** | **378,117** | **34,799** | **800,281** |
| Additions during the period | - | 108 | - | - | 108 |
| Effect of movement in exchange rates | (26,589) | (601) | (26,397) | (2,442) | (56,029) |
| **At 31 March 2020** | **352,316** | **7,967** | **351,720** | **32,357** | **744,360** |
| | | | | | |
| **Accumulated amortisation** | | | | | |
| **At 1 January 2019** | - | (6,073) | (51,387) | (9,480) | (66,940) |
| Charge for the period | - | (1,312) | (15,367) | (2,344) | (19,023) |
| Effect of movement in exchange rates | - | 14 | 136 | 21 | 171 |
| **At 31 December 2019** | **-** | **(7,371)** | **(66,618)** | **(11,803)** | **(85,792)** |
| | | | | | |
| **At 1 January 2020** | **-** | **(7,371)** | **(66,618)** | **(11,803)** | **(85,792)** |
| Charge for the period | - | (204) | (3,793) | (579) | (4,576) |
| Effect of movement in exchange rates | - | 532 | 4,786 | 866 | 6,184 |
| **At 31 March 2020** | **-** | **(7,043)** | **(65,625)** | **(11,516)** | **(84,184)** |
| | | | | | |
| **Net book value** | | | | | |
| At 31 December 2019 | **378,905** | **1,089** | **311,499** | **22,996** | **714,489** |
| | | | | | |
| **At 31 March 2020** | **352,316** | **924** | **286,095** | **20,841** | **660,176** |

Intangible assets include adjustments to reflect the purchase price adjustments assessed on the inclusion of Nigeria Tower Interco and INT in the Restricted Group from 1 January 2018 (see basis of preparation on page 4).

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

### 14. DERIVATIVE FINANCIAL INSTRUMENTS

| | 31 Mar 2020 $'000 | 31 Dec 2019 $'000 |
|---|---|---|
| *Current* | | |
| Non-deliverable forward exchange contracts | 8,783 | 53 |
| *Non-current* | | |
| Embedded derivatives within listed bonds | - | 42,604 |
| | **8,783** | **42,657** |

The embedded derivatives represent the fair value of the put and call options embedded within the terms of the 2025 Notes and 2027 Notes. The call options give the Group the right to redeem the bond instruments at a date prior to the maturity date (18 March 2025 and 18 September 2027 respectively), in certain circumstances and at a premium over the initial notional amount.

The put option provides the holders with the right (and the Group with an obligation) to call the 2025 Notes and 2027 Notes before their redemption date in the event of a change in control (as defined in the terms of the 2025 Notes and the 2027 Notes, which also includes a major asset sale), and at a premium over the initial notional amount.

The non-deliverable forward exchange contracts (NDFs) give IHS the right to purchase US dollars at a future date at an agreed fixed exchange rate; these are measured at fair value. As at the reporting date, the Group had NDF assets carried at $8.8m (31 December 2019: $0.1m assets)).

### 15. BORROWINGS

| | 31 Mar 2020 $'000 | 31 Dec 2019 $'000 |
|---|---|---|
| *Current* | | |
| Bank borrowings | 2,322 | 2,534 |
| Bond borrowings | 3,790 | 28,738 |
| | **6,112** | **31,272** |
| *Non-current* | | |
| Bank borrowings | 462,563 | 483,717 |
| Bond borrowings | 1,285,237 | 1,287,272 |
| | **1,747,800** | **1,770,989** |
| Total third party borrowings | **1,753,912** | **1,802,261** |
| Subordinated shareholder loans (note 19) | 689,130 | 688,095 |
| All borrowings | **2,443,042** | **2,490,356** |

Bank borrowings referred to above have been granted pursuant to a senior credit facilities agreement entered into on the 3 September 2019 (the “Senior Credit Facilities”) which include a Naira and a USD tranche (the “NGN Tranche” and the “USD Tranche”) for which IHSN, ITNG and INT are joint borrowers and guarantors. The NGN Tranche has an original principal amount of ₦141.3 billion provided by a consortium of lenders, has a five-year term, was issued at NIBOR plus a 2.5% margin and is due to be repaid in full by September 2024. The USD Tranche has an original principal amount of USD110.0 million provided by a consortium of lenders, has a five-year term, was issued at Libor plus a 4.25% margin and is due to be repaid in full by September 2024.

The NGN credit facility previously held by IHSN and which had an outstanding balance of ₦27.0 billion at 31 March 2019, was fully repaid with the proceeds of the Senior Credit Facilities.

Prior to repayment, the facility accrued interest at an annual interest rate of NIBOR plus a 2.5% payable quarterly in arrear and was due to be repaid in full by 31 December 2021.

### 15. BORROWINGS (continued)

*Bond borrowings*

*IHS Netherlands Holdco B.V.*

IHS Netherlands Holdco B.V. issued $800 million 9.5% Senior Notes due 2021 (the "Holdco Notes") under a Senior Notes Indenture dated 27 October 2016 between, *inter alios*, the Issuer (IHS Netherlands Holdco B.V.), the Guarantors (each of IHS Netherlands NG1 B.V., IHSN, IHS Netherlands NG2 B.V., ITNG, Tower Infrastructure Company Limited, and IHS Towers Netherlands FinCo NG B.V.) and the Trustee (Citibank N.A., London branch). The Holdco Notes were fully redeemed on 28 October 2019 and are no longer outstanding.

IHS Netherlands Holdco B.V. issued $500 million 7.125% Senior Notes due 2025 (the "2025 Notes") and $800 million 8.0% Senior Notes due 2027 (the "2027 Notes") pursuant to a Senior Notes Indenture dated 18 September 2019 between, *inter alios,* the Issuer (IHS Netherlands Holdco B.V.), the Guarantors (each of IHS Netherlands NG1 B.V., IHSN, IHS Netherlands NG2 B.V., ITNG, INT Towers Limited and Nigeria Tower Interco B.V) and the Trustee (Citibank N.A., London branch). The 2025 Notes and 2027 Notes are listed on The International Stock Exchange (TISE).

The 2025 Notes and 2027 Notes have a tenor of five and a half years and eight years respectively, from the relevant date of issue, interest is payable semi-annually in arrear and the principal is repayable in full on maturity.

The 2025 Notes and 2027 Notes have early redemption features whereby IHS Netherlands Holdco B.V. has the right to redeem the relevant notes before the maturity date, and the holders hold a right to request the early settlement of the Notes, in certain circumstances. The values of the respective call and put options are disclosed in note 14.

*IHS Towers Netherlands FinCo NG B.V.*

The original $250 million 8.375% Guaranteed Senior Notes due 2019 (the "FinCo Notes") issued by IHS Towers Netherlands FinCo NG B.V have all been fully repaid at maturity on 15 July 2019. Prior to repayment, during the current and comparative periods covered by these financial statements, an aggregate principal amount of $13.065 million remained outstanding and accrued interest at an annual interest rate of 8.375% payable semi-annually in arrear on 15 January and 15 July.

*Subordinated shareholder loans*

As at 31 March 2020, the Group had loans from IHS Holding Limited and IHS Netherlands (Interco) Coöperatief U.A. with principal values (including capitalised interest) of $595.8m and $76.5m respectively (31 December 2019: $603.9m and $80.0m respectively).

*Undiscounted contractual cash flows*

As at 31 March 2020, the undiscounted contractual cash flows of the Group's borrowings were as follows:

| | Carrying value $'000 | Total contractual cash flows $'000 | Less than 1 year $'000 | Between 2 and 3 years $'000 | Between 4 and 5 years $'000 | Over 5 years $'000 |
|---|---|---|---|---|---|---|
| Bank borrowings | 464,491 | 644,532 | 52,864 | 294,615 | 297,053 | - |
| Bond borrowings | 1,289,421 | 1,958,125 | 99,625 | 199,250 | 699,250 | 960,000 |
| Subordinated shareholder loans | 689,130 | 1,640,735 | - | - | - | 1,640,735 |
| | **2,443,042** | **4,243,392** | **152,489** | **493,865** | **996,303** | **2,600,735** |

### 16. LEASE LIABILITIES

| | **31 Mar 2020 $'000** | 31 Dec 2019 $'000 |
|---|---|---|
| Current | 5,453 | 6,050 |
| Non-current | 25,560 | 27,172 |
| Total lease liabilities | **31,013** | **33,222** |

Lease liabilities represent the net present value of future payments due under long term land leases for leasehold land on which our towers are located and for other leasehold assets such as warehouses and offices. During the 3 month period ended 31 March 2020, payments to the value of $6.5m (3 month period ended 31 March 2019: $18.5m) were made in respect of recognised lease liabilities. These lease liabilities are unwound using discount rates which represent the credit risk of the lessee entity and the length of the lease agreement.

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 17. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

| | 31 Mar 2020 $'000 | 31 Dec 2019 $'000 |
|---|---|---|
| Current | 3,461 | 3,768 |
| Non-current | 5,253 | 5,586 |
| Total decommissioning provision | **8,714** | **9,354** |

The provision is for decommissioning and relates to the probable obligation that the Group may incur on the leased land on which its tower equipment is constructed. The amount is recognised initially at the present value of the estimate of the amount that will be required to decommission and restore the leased sites to the original states, discounted using the effective borrowing rate of the Group. The amount provided for each site has been discounted based on the respective lease terms attached to each site.

## 18. CASH GENERATED FROM OPERATIONS

| ***Reconciliation:*** | **3 month period ended** | |
|---|---|---|
| | **31 Mar 2020 $'000** | 31 Mar 2019 $'000 |
| **(Loss)/profit before taxation** | **(196,627)** | **60,080** |
| *Adjusted for:* | | |
| Depreciation of property, plant and equipment | 84,983 | 52,083 |
| Impairment of property, plant and equipment | 1,868 | - |
| Amortisation of intangible assets | 4,576 | 4,988 |
| Amortisation of prepaid land rent | 574 | 84 |
| Net gain on sale of property, plant and equipment | (141) | (217) |
| Impairment of receivables | 1,821 | 3,729 |
| Impairment of withholding tax assets | 22,544 | 4,317 |
| Finance costs | 214,903 | 50,803 |
| Fair value loss/(gain) through profit or loss | 42,604 | (3,309) |
| Finance income | (10,317) | (26,164) |
| Insurance claims income | (121) | (4) |
| **Operating profit before working capital changes** | **166,667** | **146,390** |
| Decrease/(increase) in inventories | 9,226 | (7,510) |
| (Increase)/decrease in trade and other receivables (excluding prepaid rent) | (80,732) | 13,637 |
| Increase/(decrease) in trade and other payables | 47,647 | (32,855) |
| Net movement in amounts with related parties | 4,375 | 4,187 |
| **Net working capital changes** | **(19,484)** | **(22,541)** |
| **Cash generated from operations** | **147,183** | **123,849** |

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 19. RELATED PARTY TRANSACTIONS

| | 31 Mar 2020 | 31 Dec 2019 |
|---|---|---|
| **Current** | **$'000** | **$'000** |
| **Amounts due from:** | | |
| IHS Holding Limited | 502 | 502 |
| Global Independent Connect Limited | - | 1,371 |
| IHS Netherlands (Interco) Coöperatief U.A. | 331 | 331 |
| | **833** | **2,204** |
| **Amounts due to:** | | |
| IHS Holding Limited | 6,960 | 4,137 |
| IHS Netherlands (Interco) Coöperatief U.A. | 56 | 57 |
| | **7,016** | **4,194** |
| **Non-current** | | |
| **Amounts due to:** | | |
| IHS Holding Limited | 611,648 | 607,471 |
| IHS Netherlands (Interco) Coöperatief U.A. | 77,482 | 80,624 |
| | **689,130** | **688,095** |

Non-current amounts due to IHS Holding Limited represent subordinated shareholder loans as disclosed in note 15.

## 20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group had contractual, non-cancellable capital commitments of $97.8m for full turnkey site build and upgrade of existing sites as at 31 March 2020 (31 December 2019: $83.2m).

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Group reviews these matters in consultation with internal and external legal counsel to determine on a case by case basis whether a loss from each of these matters is probable, possible or remote.

The Group’s contingent liabilities in respect of litigations and claims amounted to $1.9m at the end of the reporting period (Dec 2019: $2.0m). Based on legal advice received, the Group’s liability is not likely to crystallise, thus no provisions have been made in these financial statements.

## 21. EVENTS AFTER THE REPORTING PERIOD

There were no disclosable events after the reporting period.

## NON-IFRS MEASURES AND GLOSSARY

Adjusted EBITDA, Adjusted EBITDA margin and other non-IFRS financial measures are used by Group management to monitor the underlying performance of the business and the operations. Adjusted EBITDA, Adjusted EBITDA margin and other non-IFRS financial measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing Adjusted EBITDA, Adjusted EBITDA margin and other non-IFRS financial measures as reported by us to Adjusted EBITDA, Adjusted EBITDA margin and other non-IFRS financial measures as reported by other companies. Adjusted EBITDA, Adjusted EBITDA margin and the other non-IFRS financial measures described in this document are unaudited and have not been prepared in accordance with IFRS or any other generally accepted accounting principles. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of any regulatory authority and will not be subject to review by a regulatory authority; compliance with such requirements may require us to make changes to the presentation of this information.

**Adjusted EBITDA**: Profit or loss for the period excluding the impact of finance income, finance cost, fair value through profit or loss, depreciation and amortization, impairments of fixed assets and land rent, profit or loss on disposal of assets, impairment of withholding taxes, share-based payment expense, and provision for or benefit from income taxes, less other income plus other expenditures that management considers sufficiently large and unusual as to distort comparisons from one period to the next. Adjusted EBITDA is a component of the calculation that has been used by our lenders to determine compliance with certain covenants under our debt facilities. Adjusted EBITDA is not intended to be an alternative measure of operating income or gross profit margin as determined in accordance with IFRS.

**Adjusted EBITDA margin**: Adjusted EBITDA divided by revenue, expressed as a percentage.

**Capital expenditure (“Capex”):** the additions of property, plant and equipment (including advance payments for such additions) and the purchase of software, as presented in the statement of cash flows.

**Colocation Rate**: Refers to the average number of tenants per tower that is owned or operated across a tower portfolio at a given point in time, excluding managed services.

**Consolidated Net Leverage:** Aggregate outstanding net indebtedness on a consolidated basis (excluding subordinated shareholder debt).

**Consolidated Net Leverage Ratio:** Ratio of Consolidated Net Leverage to LTM Adjusted EBITDA

**Group**: IHS Netherlands Holdco B.V. and each of its direct and indirect subsidiaries.

**Lease Amendments**: Refers to the installation of additional equipment on a site or the provision of ancillary services for an existing tenant.

**Gross Debt:** Borrowings as stated on the statement of financial position plus lease liabilities as stated on the statement of financial position.

**LTM Adjusted EBITDA**: Adjusted EBITDA for the last twelve months

**Net Debt:** Gross debt less cash and cash equivalents at a stated statement of financial position date.

**Tenants**: Refers to the number of distinct customers that have leased space on each tower that we own across our portfolio.

**Towers**: Refers to ground-based towers, in-building solutions, rooftop and wall-mounted towers and cells-on-wheels, each of which are constructed to support wireless transmission equipment. We measure the number of Towers in our portfolio at a given time by counting the number of Towers that we own or operate with at least one Tenant. The number of Towers in our portfolio excludes any towers for which we provide managed services.

## SUMMARY OF UNAUDITED QUARTERLY RESULTS

For the respective quarters ended:

| *Statement of profit or loss* | **31 Mar 2020 $'000** | **31 Dec 2019 $'000** | **30 Sep 2019 $'000** | **30 Jun 2019 $'000** |
|---|---|---|---|---|
| **Revenue** | **248,793** | **241,780** | **232,657** | **225,273** |
| Cost of sales | (162,599) | (195,030) | (146,734) | (132,444) |
| **Gross profit** | **86,194** | **46,750** | **85,923** | **92,829** |
| Administrative expenses | (35,923) | (42,466) | (28,660) | (35,657) |
| Other income | 292 | 351 | 1,729 | 2,330 |
| **Operating profit** | **50,563** | **4,635** | **58,992** | **59,502** |
| Finance income | 10,317 | 1,380 | 7,833 | 2,428 |
| Finance cost | (214,903) | (79,157) | (106,822) | (54,468) |
| Changes in fair value though profit or loss | (42,604) | 20,011 | (9,293) | 3,221 |
| **(Loss)/profit before taxation** | **(196,627)** | **(53,131)** | **(49,290)** | **10,683** |
| Taxation | (3,816) | (1,626) | 8,603 | 13,533 |
| **(Loss)/profit for the period** | **(200,443)** | **(54,757)** | **(40,687)** | **24,216** |
| *Adjusted EBITDA reconciliation:* | | | | |
| **(Loss)/profit for the period** | **(200,443)** | **(54,757)** | **(40,687)** | **24,216** |
| *Add back:* | | | | |
| Tax charge/(benefit) | 3,816 | 1,626 | (8,603) | (13,533) |
| Changes in fair value though profit or loss | 42,604 | (20,011) | 9,293 | (3,221) |
| Finance cost | 214,903 | 79,157 | 106,822 | 54,468 |
| Finance income | (10,317) | (1,380) | (7,833) | (2,428) |
| Depreciation and amortisation | 89,559 | 107,614 | 64,333 | 61,358 |
| Impairment of property, plant and equipment and prepaid land rent | 1,868 | 10,651 | 6,701 | 2,492 |
| Net (profit)/loss on disposal of property, plant and equipment | (141) | 85 | 1,349 | 1,209 |
| Impairment of withholding tax receivable | 22,544 | 4,920 | 13,729 | 21,620 |
| **Adjusted EBITDA** | **164,393** | **127,905** | **145,104** | **146,181** |
| Adjusted EBITDA margin | 66.1% | 52.9% | 62.4% | 64.9% |
| *Capital expenditure in quarter:* | | | | |
| Purchase of property, plant and equipment | (861) | (5,556) | (2,404) | (616) |
| Purchase of property, plant and equipment - capital work in progress | (11,125) | (22,038) | (22,479) | (9,991) |
| Purchase of software and licences | (108) | (689) | - | - |
| Advance payments for property, plant and equipment | (33,200) | (73,432) | (16,651) | (36,731) |
| **Total capital expenditure** | **(45,294)** | **(101,715)** | **(41,534)** | **(47,338)** |